

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6698

BILL NUMBER: HB 2009

DATE PREPARED: Dec 22, 1998

BILL AMENDED:

SUBJECT: Abolition of riverboat gambling.

FISCAL ANALYST: Kristin Breen

PHONE NUMBER: 232-9567

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill abolishes riverboat gambling effective July 1, 2002. It makes conforming amendments.

Effective Date: July 1, 2002.

Explanation of State Expenditures: Effective July 1, 2002, this bill abolishes riverboat gambling. It also eliminates the Indiana Gaming Commission (IGC), although it would remain in existence until the earlier of January 1, 2003 or the date when the Commission's business and affairs have concluded. Appropriations for the IGC's administrative expenses come from riverboat wagering tax, license fee, and penalty revenue.

Indiana Riverboat Building Credit: This bill repeals the tax credit for building or refurbishing a riverboat. However, the credit would be allowed for a taxpayer that meets the requirements for taxable years that begin before January 1, 2003. If the amount of the credit exceeds the taxpayer's liability, the excess may be carried over to the following taxable years. Therefore, the Department of Revenue may continue to have administrative expenses associated with the administration of the tax credit beyond CY 03.

Explanation of State Revenues: This bill requires the IGC to repay with interest the \$2 million appropriated to the Commission to the state General Fund under P.L. 277-1993(ss). The \$2 million has already been repaid.

The following nine riverboats are currently operational: Casino Aztar in Evansville; Trump Casino and Majestic Star Casino in Gary; Empress Casino in Hammond; Grand Victoria Casino in Rising Sun; Argosy Casino in Lawrenceburg; Showboat Casino in East Chicago; Blue Chip Casino in Michigan City; and Caesar's in Harrison County. A riverboat operator has been granted a certificate of suitability to operate a riverboat in Switzerland County. The U.S. Army Corps of Engineers will not license a riverboat for Patoka Lake, so that license is nonfunctional.

License Fee and Penalty Revenue: Beginning in FY 2003, this bill would eliminate fee revenue from the following licenses: renewal owner's license (\$5,000), application for an occupational license (\$75 to \$1,000); annual occupational license (\$25 to \$100); application for a supplier's license (at least \$5,000); and annual supplier's license (\$5,000). License fee revenue is deposited in the gaming account within the state General Fund. Money in the gaming account is used to administer riverboat gambling.

Riverboat Admission and Wagering Tax: Beginning in FY 2003, this bill would also eliminate riverboat admission and wagering tax revenue. Of the \$3 riverboat admission tax, \$0.90 is distributed to the following state entities: (1) \$0.65 to the Horse Racing Commission; (2) \$0.15 to the State Fair Commission; and (3) \$0.10 to the Division of Mental Health. Based upon average monthly admissions, it is estimated that annual admission tax revenue could equal approximately \$13.3 million per riverboat. Of the \$13.3 million per riverboat, approximately \$4 million would be distributed annually to state entities as follows: (1) \$2.9 million to the Horse Racing Commission; (2) \$665,000 to the State Fair Commission; and (3) \$443,000 to the Division of Mental Health.

A 20% wagering tax is levied on adjusted gross receipts. Seventy-five percent of wagering tax revenue, after the IGC's administrative expenses are subtracted, is distributed to the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund (BIF). Based upon average monthly admissions and average monthly wagering tax revenue, it is estimated that the annual wagering tax revenue distributed to the LGSA could equal approximately \$23 million per riverboat.

The LGSA also receives revenue from the lottery, the parimutuel wagering tax, and charity gaming. A statutorily-determined amount of revenue in the LGSA is transferred each year to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. A portion of money remaining in the LGSA is then transferred to the State and Local Capital Projects Account (SLCPA) within the BIF. It is estimated that there may be enough revenue in the LGSA to cover the distributions to MVETRA for a few years after riverboat wagering tax revenue is eliminated. However, after a few years, there will not be enough money in the LGSA to make the statutory distributions to the MVETRA. If there is not enough money in the LGSA to make the distributions to MVETRA, money is to be transferred from the state General Fund.

Other Taxes and License Fees: This bill would also eliminate additional revenue from increased collections of sales tax, individual income tax, corporate income tax, and other miscellaneous taxes and fees, such as alcoholic beverage excise tax and alcoholic beverage permits. Sales tax revenue is deposited in the state General Fund, the Property Tax Replacement Fund, and two dedicated funds. Individual and corporate income tax revenue are deposited in the state General Fund. Alcoholic beverage excise tax revenue is deposited in the state General Fund, the Post War Construction Fund, the Alcoholic Beverage Commission's (ABC) Enforcement and Administration Fund, the Pension Relief Fund, the Addiction Services Fund, and the Wine Grape Development Fund. Revenue from the riverboat excursion and adjacent landsite alcoholic beverage permits is deposited in the ABC's Enforcement and Administration Fund.

Indiana Riverboat Building Credit: This bill repeals the tax credit for building or refurbishing a riverboat. However, the credit would be allowed for a taxpayer that meets the requirements for taxable years that begin before January 1, 2003. Since the tax credit became effective in July 1994, \$1 million in tax credits has been granted to one riverboat. The total amount of tax credits allowed in any state fiscal year may not exceed \$1 million. It is not known if any currently operating riverboat would apply for a tax credit for refurbishing a riverboat in the future.

The tax credit is equal to 15% of a "qualified investment" made by a taxpayer during the taxable year. The

credit may be applied to the taxpayer's tax liability under the following taxes: corporate gross income, adjusted gross income, supplemental net income, bank tax, the savings and loan association tax, financial institution tax and the insurance premiums tax. If the tax credit exceeds the taxpayer's liability, the credit may be carried forward, but may not be refunded or carried back. These taxes are deposited in the state General Fund and the Property Tax Replacement Fund.

Explanation of Local Expenditures: Current statute requires riverboat owners to post a bond with the IGC in an amount that the IGC determines will adequately reflect the amount that a local community will expend for infrastructure and other facilities associated with a riverboat operation. In the event a local community has issued a bond to pay for infrastructure associated with the riverboat operation and it has not been paid off prior to the abolishment of riverboat gambling, the remaining obligation may be satisfied with proceeds from the riverboat owner's bond. If a local community has issued a bond for a project not associated with the riverboat operation and pledged riverboat tax proceeds, the local community would have to find another source of revenue to repay the bond.

Explanation of Local Revenues: Riverboat Admission and Wagering Tax: Of the \$3 riverboat admission tax, \$2.10 is distributed to the following local entities: (1) \$2.00 to the city and/or county in which the riverboat is docked and (2) \$0.10 to the county convention and visitor bureau or promotion fund. Of the estimated \$13.3 million in revenue per riverboat, approximately \$9.3 million would be distributed annually to local entities as follows: (1) \$8.9 million to the city and/or county and (2) \$443,000 to the county convention and visitor bureau or promotion fund.

Twenty-five percent of riverboat wagering tax revenue, after the IGC's administrative expenses are subtracted, is distributed to the city or county in which the riverboat is docked. Based upon average monthly admissions and average monthly wagering tax revenue, it is estimated that the annual wagering tax revenue distributed to the city or county could equal \$8 million per riverboat.

State Agencies Affected: Indiana Gaming Commission; Horse Racing Commission; State Fair Commission; Division of Mental Health; Department of Revenue; State Police Department; Alcoholic Beverage Commission; Department of Commerce; Courts; Law enforcement agencies; State Budget Agency.

Local Agencies Affected: Counties, cities, and towns in which riverboats are docked or which receive riverboat tax revenue; Courts; Law enforcement agencies.

Information Sources: Jennifer Byrd, Indiana Gaming Commission, 233-0046; Terry Griggs, Department of Revenue, 233-5015; State Budget Agency.